GEORGIA DEPARTMENT OF COMMUNITY HEALTH

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M E M O R A N D U M

TO: Members of the General Assembly

FROM: Rhonda M. Medows, M.D.

SUBJECT: **INDIGENT CARE TRUST FUND AND DISPROPORTIONATE SHARE HOSPITAL PROGRAM**

As I'm sure you are aware, hospitals across the state rely on payments from the Disproportionate Share Hospital (DSH) Program in the Indigent Care Trust Fund (ICTF) to help reimburse them for otherwise uncompensated costs of the uninsured and Medicaid citizens of the state who seek care in their facilities. Historically, DSH payments were made to qualified hospitals in December of each year; however, for FY 2006 DSH payments, the department has delayed such payments waiting for recommendations from the department's Hospital Advisory Committee in revamping the DSH program.

The need to revamp the program stems from concerns from previously participating hospitals about the validity of the data used to determine DSH payments as well as the fairness in the methodology used to allocate the limited amount of federal DSH funds. (Federal DSH funds are intended to compensate hospitals for losses incurred in serving Medicaid and uninsured patients, but the federal funds available have historically been significantly less than the aggregate amount of uncompensated care that Georgia hospitals provide annually.) That effort began with the recreation of the department's Hospital Advisory Committee, a group comprised of 21 representatives of hospitals across the state. That group has met routinely since September 2005 and is in the final stages of work on these issues. The Committee's work has revolved around the following principles and I believe them to be appropriate given the federal intent of the DSH program and the mission at hand:

- DSH payments should be directed in proportion to uncompensated care provided.
- DSH payments should be based on uncompensated care.
- All hospitals should be reimbursed based upon a uniform methodology.
- DSH payments must be based upon available, transparent and easily verifiable data.
- The state should maximize DSH and UPL payments.
- Changes in DSH payments should not put an undue burden on any hospital group.

Monday, February 27, 2006, the Hospital Advisory Committee met and discussed a proposed DSH allocation methodology. That methodology would:

1. Ensure that small, rural hospitals <u>as a group</u> receive an equal amount of DSH funds as compared to FY 2005. Individual hospital amounts compared to last year will vary dependent on hospital specific data.
2. Recognize that hospitals that meet specific federal criteria indicating they provide a disproportionate amount of care to the uninsured and Medicaid citizens of the state should receive a higher share of their uncompensated costs than those facilities that do not.

3. Ensure that private rural hospitals would receive a comparable percentage of their uncompensated costs as public rural hospitals.
4. Limit the total amount of funds made available to all private hospitals to $35.5 million, or the amount of total funds generated by the recommended $14 million in state funds appropriated to the Indigent Care Trust Fund for private hospital DSH payments in FY 2006.

The Committee could not reach consensus on this allocation methodology at Monday's meeting based on summary level information. They've asked for the department to provide hospital-specific information, including the impact of this allocation methodology and have scheduled another meeting on Monday, March 6, 2006 which will hopefully result in a final recommendation. I am including as an attachment to this letter a summary of the preliminary DSH payments by hospital type as well as the hospital-specific list should this allocation methodology be adopted. This data is being made available to hospitals today via the department's website. Data elements used to calculate these payments are still subject to audit which will occur during the month of March. Should this audit process result in changes to the preliminary data reflected in the attached schedules, a hospital's actual DSH allocation may also change.

If the Committee is able to reach consensus at the March 6th meeting, it would set off a chain of events necessary for both Board and federal approval from the Centers for Medicare and Medicaid Services (CMS). Based on the schedule of events, it is likely that June 2006 is the earliest month that DSH payments would be available. Please know that the department has communicated to CMS how important their expeditious approval is such that the Department can proceed with DSH payments as soon as possible. If the Committee can not reach consensus at the March 6th meeting, the effect would be to delay DSH payments even further until consensus can be reached.

While both the department and the Hospital Advisory Committee members would like nothing more to ensure that all hospitals receive a DSH payment amount at least as much as they received in prior years, the unfortunate reality is that some hospitals will see less because there are a growing number of eligible hospitals seeking payment from a fixed amount of funds. The Committee's task is to find a way to fairly distribute the funds in light of the fact that federal DSH funds are not sufficient to cover all uncompensated care.

It is likely that you will hear from hospitals in your districts in the next few days. I hope this information is helpful to you as you respond to them. Please do not hesitate to contact me if you need more information.

Attachments
cc: Abel Ortiz, Governor's Office
Shelley Nickel, Office of Planning and Budget
Charlie Walker, House Budget Office
Kevin Fillion, Senate Budget Office
David Seagraves, DCH Hospital Advisory Committee
Bob Colvin, DCH Hospital Advisory Committee
Joe Parker, Georgia Hospital Association